



Director of  
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**EGYPT: Diplomatic Activity**

*Cairo is trying to maintain the momentum created by PLO chief Arafat's visit and is becoming more active in a variety of efforts to revitalize Middle East peace negotiations.* [ ]

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Minister of State Ghali told an Egyptian parliamentary committee on Sunday that Egypt will seek to exploit Arafat's meeting with President Mubarak by encouraging the Palestinians to resume talks with Jordan. Ghali suggested to US officials that Mubarak could join King Hussein and Arafat in those talks because a return to the bilateral negotiating format of last spring might prove sterile.

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Foreign Minister Ali stated in New York last week that the Egyptian-French peace initiative, which has been dormant since it was circulated in the UN Security Council in 1982, needs to be revived. Ali later assured US officials that the plan would be modified to bring it up to date and make it acceptable to Washington. [ ]

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Ali, Ghali, and presidential adviser al-Baz told US officials in separate conversations that a common formula could be derived from the several peace plans already proposed, including the US initiative, the Fez Arab Summit declaration, and the Egyptian-French plan. Ghali said that such a formula would be needed to make PLO-Egyptian-Jordanian negotiations credible to most Arabs. [ ]

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**Comment:** Egyptian leaders believe that Arafat's visit vindicates Cairo's policy of peace and substantially increases the chances for diplomatic progress in 1984. Next week Egypt becomes a member of the Security Council and France assumes the presidency of the EC, making revival of the Egyptian-French initiative appear even more timely. Cairo's main concern, however, will be to keep the peace process moving without being wedded to any specific plan. [ ]

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Egypt will avoid any moves that appear inconsistent with the Camp David accords. The visit to Israel today by Under Secretary of Foreign Affairs Shafei Abdel Hamid is intended partly to indicate that Cairo will abide by its agreements with Tel Aviv. [ ]

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**SURINAME: Strikes Continue**

*Negotiations between the government and striking workers at the country's two bauxite facilities are under way, but some workers have indicated they will resort to violence if necessary to achieve their demands.* [ ]

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The US Embassy reports that a self-appointed spokesman for the striking workers who has ties to the radical faction of the regime arranged a meeting between strikers and government officials on Tuesday to discuss grievances. Worker demands thus far reportedly deal only with economic issues. [ ]

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The manager at the US-owned Suralco plant believes that trouble is possible there today when workers are paid for the strike period. According to the US Embassy, Prime Minister Alibux is convinced the company is directly involved in the strike and may be trying to topple the government. [ ]

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The electric power plant at Paranam, meanwhile, remained shut down yesterday. About a third of the capital is without power. [ ]

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**Comment:** The government appears to be trying to reach a compromise with the workers. Prolonged negotiations, however, are likely. [ ]

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Army Commander Bouterse probably hopes that the current discussions will appease the strikers temporarily. So long as the strike does not spread or provoke additional public disorder, Bouterse presumably will continue to avoid a confrontation. If the situation deteriorates further, however, he may take firm action. [ ]

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**ARGENTINA: Measures To Control the Military**

*President Alfonsin's moves to curb the military continue to gain momentum, and the armed forces remain too weak to challenge him for now.* [ ]

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Alfonsin's promotion of officers to head the three military services will force nearly 40 general officers—more than half of the general officer corps in the Army alone—into retirement over the next several weeks. The President also has made changes in the high command that subordinate the new commanders to the civilian Defense Minister. [ ]

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Earlier this week Congress repealed the previous military government's amnesty law designed to protect officers involved in antirsubversive activities. This enables Alfonsin to proceed with his plans to prosecute former junta members for human rights abuses. Press reports state that the congressional action also has encouraged the judiciary to launch more extensive investigations. [ ]

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**Comment:** The military largely anticipated the retirements and structural changes. Last year some officers pushed for a more thorough purge of the high command in the wake of the defeat in the Falklands, and they probably welcome these initiatives. [ ]

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Alfonsin, however, may have to contend with a reinvigorated judiciary determined to find out who is responsible for the disappearance of 6,000 to 15,000 persons under military rule. Even if he wanted to, the President might not be able to moderate civil actions or inquiries that could lead to more extensive investigations of the military. [ ]

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Nevertheless, even disgruntled officers appear to have no figure around whom to rally. They probably will have little choice but to await the outcome of trials and see if more serious opposition develops. [ ]

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**NICARAGUA: Insurgent Drive Continues**

Both sides claim recent successes as the insurgents continue their offensive in northern Nicaragua. [REDACTED]

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[REDACTED] A spokesman for the guerrillas says they seized two strategic hills near San Fernando on Sunday, and the Sandinistas claim militiamen defeated an insurgent attempt a few days earlier to capture El Cua in western Jinotega Department. [REDACTED]

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**Comment:** The insurgent campaign thus far does not appear to have had any major successes, but the widespread fighting may cause the Sandinistas difficulty with the coffee harvest now in progress. The guerrillas probably hope to control the high ground, including the hills outside San Fernando, to interdict military traffic on Nueva Segovia's main roads. [REDACTED]

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**USSR: Economic Goals**

Preliminary information on economic goals for 1984 approved yesterday by the Supreme Soviet indicates that industrial production and agricultural output are planned to increase by 3.8 percent and 6.4 percent, respectively. The official defense budget will be essentially the same as the ones published for the last three years. [REDACTED]

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**Comment:** The target for industry is roughly the same as the rate of growth achieved in 1983. The goal for agricultural output, on the other hand, is considerably above even the improved performance attained this year. The announced defense budget is of little significance, because the official defense spending figure is far lower than actual expenditures and incompatible with known Soviet force levels and military programs. [REDACTED]

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**PLO: Proposed Meeting in Tunis**

PLO chief Arafat will convene a meeting of the PLO Executive Committee in Tunis soon, according to press sources.

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**Comment:** Rebels in the PLO almost certainly will not attend the meeting in Tunis, and they will denounce it as not representing the Palestinian people.

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The rebels,

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meanwhile, are likely to continue to work for Arafat's formal ouster.

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**ISRAEL: Pressure To Cut Settlements Budget**

The unconfirmed radio announcement yesterday that Finance Minister Cohen-Orgad is considering a major cutback in the settlements program to trim government spending almost certainly will add to strains in the coalition. Cohen-Orgad reportedly planned to include this proposal as part of his economic program that will be presented to the Cabinet tomorrow. A public opinion poll conducted earlier this month indicates that almost half of all Israelis favor a settlements freeze. [REDACTED]

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**Comment:** Many Israelis, particularly those in the Labor Party, are urging the government to reduce the settlements expenditures of about \$400 million because of the country's economic problems. A total settlements freeze, however, is unlikely. Ultranationalists in the coalition, including the three-member Tehiya faction, oppose such a move. In addition, Cohen-Orgad, who lives in the West Bank, is a staunch supporter of the settlements program. [REDACTED]

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**MEXICO: Wage Negotiations**

The expected announcement this week of a moderate increase in minimum wages, following intense negotiations among government, business, and union leaders, points to continued strict austerity in 1984. Big labor had publicly called for workers to recoup lost purchasing power, and some businessmen had expressed support for a substantial raise to help boost consumer spending and end the economic decline. The administration, however, views keeping a lid on earnings as crucial to controlling consumption, reducing inflation, and maintaining IMF support. The US Embassy reports that the administration, which projects inflation in 1984 at some 40 percent, aims at avoiding a significant increase—or decrease—in real wages.

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**Comment:** Union leaders, who are an integral part of the political system, probably are willing to accept a 30- to 35-percent increase, particularly if an additional adjustment is proposed for midyear. Demands for larger increases are a negotiating tactic designed in part to head off criticism from nonofficial unions. To keep the rank and file in line, however, labor may push for improved fringe benefits.

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25X1**BELIZE: Election Implications**

The opposition party's recent sweep of municipal elections in Belize City has improved its chances of defeating Prime Minister Price in the national elections that probably will be held late next year. The centrist, pro-US United Democratic Party capitalized on popular discontent over continuing electricity blackouts and deteriorating economic conditions in the city, where one-third of the country's population lives. The opposition victory also has aggravated a split in Price's party between leftist and rightist factions, which US Embassy officials say contributed to its poor showing.

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**Comment:** If Price cannot stop the bickering in his party and at least marginally improve economic conditions, he probably will face his toughest challenge. The opposition has never won a national election and needs to increase its support in rural areas—traditionally the preserve of Price and the ruling party—to win next year. It may be helped by low prices for agricultural products and rising rural unemployment, conditions that are likely to persist until elections are called.

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## **Special Analysis**

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### **EASTERN EUROPE: Involvement in the Gray Arms Market**

*Eastern Europe is a major source of illicit weapons on the international gray arms market. In addition to military sales to foreign governments, East European nations supply weapons to various African and Palestinian "national liberation" movements. Moreover, most East European countries sell weapons to private arms dealers who resell them—often to insurgent and terrorist groups throughout Europe and the Middle East. Arms sales to gray market brokers advance the policy of encouraging instability in the West and in the Third World, provide an element of deniability, and enable East European nations to earn some \$100 million in hard currency annually. East European involvement in this market probably will increase, both in terms of the quantities and the sophistication of the weapons provided.*

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East European nations sell weapons to a wide variety of clients and care little about the intentions of the buyers or about restrictions on the future resale of the arms. The lack of effective controls over subsequent resales allows well-made and inexpensive East European weapons originally purchased by private dealers, radical Arab states, and various Palestinian organizations to be transferred to terrorist, insurgent, and criminal groups throughout Europe and the Middle East.

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Moscow has imposed few restrictions on these transactions. Recent press allegations of Bulgarian—and, by implication, Soviet—involvement in illicit arms transfers, however, may have caused the Soviets to increase their control over East European gray market activities temporarily. [redacted]

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### **Weapons**

The majority of East European sales involve Soviet-designed pistols, assault rifles, and submachineguns, but Czechoslovakia and Hungary also manufacture and sell weapons that fire Western ammunition. In addition [redacted] East European countries offer man-portable RPG-7 antitank and SA-7 anti-aircraft weapons.

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Some east European countries also buy and sell large quantities of Western weapons to clients who already have access to Western ammunition to make it difficult to detect their own involvement. [redacted]

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### **Outlook**

East European involvement in the gray arms market is likely to increase as a result of the growing demand for weapons throughout the Third World. Moreover, East European nations may begin selling more advanced ordnance to gray market clients to maintain and expand their share of lucrative sales. As a result, substantial quantities of silenced weapons, night vision scopes, automatic grenade launchers, and the newest versions of portable antitank and anti-aircraft weapons may soon become regularly available on the international gray arms market. [redacted]

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